

Message Text

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ACTION EB-07

INFO OCT-01 EUR-12 ISO-00 FEA-01 ERDA-07 AID-05 CEA-01

CIAE-00 CIEP-02 COME-00 DODE-00 FPC-01 H-02 INR-07

INT-05 L-03 NSAE-00 NSC-05 OMB-01 PM-04 USIA-15

SAM-01 OES-06 SP-02 SS-15 STR-04 TRSE-00 /107 W

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R 132005Z MAY 76

FM AMCONSUL CALGARY

TO SECSTATE WASHDC 1660

INFO AMEMBASSY OTTAWA

UNCLAS CALGARY 203

DEPT PASS INTERIOR

E.O. 11652 N/A

TAGS: ENRG, CA

SUBJ: ALBERTA TO IMPLEMENT NEW DRILLING REGULATIONS

1. PROPOSED AMENDMENTS TO ALBERTA S MINES AND MINERALS ACT WILL REQUIRE ENERGY COMPANIES IN THE PROVINCE TO DRILL OR GET OFF THEIR OIL LEASES AND TO CEASE FAVORING EXPLORATION AND DEVELOPMENT IN FRONTIER AREAS WHILE NEGLECTING THEIR ALBERTA LEASES. ALTHOUGH THE AMENDMENTS REQUIRE THE APPROVAL OF THE LEGISLATIVE ASSEMBLY THERE IS LITTLE DOUBT BUT THAT THE NEW REGULATIONS WILL BE IMPLEMENTED ON JULY 1.

2. ENERGY MINISTER DONALD GETTY HAS STATED THAT ALL EXISTING OIL AND GAS LEASES IN ALBERTA HENCEFORTH WILL BE SUBJECT TO A FIVE-YEAR LIMIT AND IF THEY ARE NOT DRILLED WITHIN THAT PERIOD, THE LEASES WILL REVERT TO THE PROVINCIAL GOVERNMENT. TEN-YEAR AND TWENTY-ONE YEAR LEASES ISSUED IN THE PAST WILL BE SUBJECT TO THE FIVE-YEAR RULE ONCE THEIR TERMS EXPIRE.

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EM OTHER PROPOSALS ARE THAT NEW LEASES CAN ONLY BE

EARNED THROUGH AN EXPLORATION LICENSE, AND THE PROVINCIAL GOVERNMENT WILL ISSUE SUCH LICENSES FOR A COVERAGE OF TWO TO FIVE YEARS, DEPENDING ON THE AREA INVOLVED. A LEASE MAY BE ISSUED ALLOWING OIL OR GAS PRODUCTION ONCE A PROPERTY HAS BEEN EXPLORED UNDER SUCH A LICENSE. THE PROPOSED AMENDMENTS SEVER OIL AND GAS RIGHTS UNDER POOLS ALREADY BEING PRODUCED, AND GETTY SAYS THAT CONSIDERABLE OIL AND GAS MAY BE FOUND IN DEEP DEPOSITS NOT BEING EXPLORED BY CURRENT LEASE HOLDERS WHO ARE CONTENT TO WORK ONLY SHALLOW ZONES. COMPANIES WILL BE ALLOWED TO DO THEIR OWN DRILLING OR TO SUB-CONTRACT TO OTHER FIRMS, AND REGULATIONS APPLICABLE TO THE GROUPING OF WELLS DRILLED WILL BE TIGHTENED. UP TO NOW, A COMPANY COULD DRILL A NUMBER OF WELLS ON ONE LEASE AND APPLY THEM TO LEASES IN OTHER AREAS.

4. THE NEW MEASURES SHOULD BENEFIT SMALL COMPANIES. IN THE PAST SUCH COMPANIES HAVE BEEN FRUSTRATED BECAUSE MOST LEASES ARE HELD ON LONG TERM ARRANGEMENT BY LARGE COMPANIES WHO MAY OR MAY NOT DRILL, DEPENDING ON THEIR ACTIVITIES AND INTERESTS ELSEWHERE. GETTY FEELS THAT LAND LEASES WILL NOW TURN OVER FASTER, AND SMALLER COMPANIES WILL BE ABLE TO INCREASE THEIR ACTIVITIES.

5. INDEPENDENT PETROLEUM ASSOCIATION, REPRESENTING SMALLER COMPANIES, IS ENTHUSIASTIC OVER NEW PROPOSALS. CANADIAN PETROLEUM ASSOCIATION, CONSISTING OF LARGER COMPANIES, IS SOMEWHAT LESS ENTHUSIASTIC BUT ADMITS SUCH CHANGES HAVE BEEN EXPECTED FOR SOME TIME.

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Message Attributes

Automatic Decaptioning: X
Capture Date: 01 JAN 1994
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: PETROLEUM INDUSTRY, POLICIES, EXPLORATORY DRILLING, AMENDMENTS, LEASES
Control Number: n/a
Copy: SINGLE
Draft Date: 13 MAY 1976
Decaption Date: 01 JAN 1960
Decaption Note:
Disposition Action: n/a
Disposition Approved on Date:
Disposition Authority: n/a
Disposition Case Number: n/a
Disposition Comment:
Disposition Date: 01 JAN 1960
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1976CALGAR00203
Document Source: CORE
Document Unique ID: 00
Drafter: n/a
Enclosure: n/a
Executive Order: N/A
Errors: N/A
Film Number: D760186-0757
From: CALGARY
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1976/newtext/t19760559/aaaabyrf.tel
Line Count: 91
Locator: TEXT ON-LINE, ON MICROFILM
Office: ACTION EB
Original Classification: UNCLASSIFIED
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 2
Previous Channel Indicators: n/a
Previous Classification: n/a
Previous Handling Restrictions: n/a
Reference: n/a
Review Action: RELEASED, APPROVED
Review Authority: CollinP0
Review Comment: n/a
Review Content Flags:
Review Date: 12 JUL 2004
Review Event:
Review Exemptions: n/a
Review History: RELEASED <12 JUL 2004 by wolfsd>; APPROVED <18 JAN 2005 by CollinP0>
Review Markings:

Margaret P. Grafeld
Declassified/Released
US Department of State
EO Systematic Review
04 MAY 2006

Review Media Identifier:
Review Referrals: n/a
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
Secure: OPEN
Status: NATIVE
Subject: ALBERTA TO IMPLEMENT NEW DRILLING REGULATIONS
TAGS: ENRG, CA
To: STATE
Type: TE
Markings: Margaret P. Grafeld Declassified/Released US Department of State EO Systematic Review 04 MAY 2006